

**African Canadian Legal Clinic
Financial Statements**
March 31, 2011

Independent Auditors' Report

To the Board of Directors of African Canadian Legal Clinic:

We have audited the accompanying financial statements of the African Canadian Legal Clinic, which comprise the statement of financial position as at March 31, 2011, and the statements of operations and fund balance and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of African Canadian Legal Clinic as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario

July 20, 2011

Chartered Accountants

Licensed Public Accountants

African Canadian Legal Clinic
Statement of Financial Position
As at March 31, 2011

	Legal Aid Ontario Funds		MCYS	MAG	YCF	DOJ	Operating Fund	2011 Total	2010 Total
	General Fund	Legal Disbursements Fund							
Assets									
Cash (indebtedness) and short-term investments	742	83	1,694	(3,889)	37,548	253	4,363	40,794	11,251
Accounts receivable	-	-	-	4,269	-	-	1,747	6,016	9,358
HST receivable	19,160	829	5,596	342	4,850	1,051	967	32,795	13,014
Prepaid expenses	5,818	-	4,077	2,509	891	-	-	13,295	17,674
Capital assets (Note 3)	25,720	912	11,367	3,231	43,289	1,304	7,077	92,900	51,297
	64,992	-	49,249	7,745	187,175	6,539	745	316,445	187,109
	90,712	912	60,616	10,976	230,464	7,843	7,822	409,345	238,406
Liabilities									
Accounts payable and accrued liabilities	268,084	5,127	48,317	10,153	6,080	17,125	5,916	360,802	260,532
Deferred rent	3,758	-	-	-	-	-	-	3,758	5,637
Deferred contributions	60,554	-	-	-	269,701	-	-	330,255	153,703
Inter-fund payable (receivable)	(8,053)	11,553	60,103	12,761	(45,317)	15,161	(46,208)	-	-
	324,343	16,680	108,420	22,914	230,464	32,286	(40,292)	694,815	419,872
Fund balance (deficit)	(233,631)	(15,766)	(47,804)	(11,938)	-	(24,443)	48,114	(285,470)	(181,466)
	90,712	912	60,616	10,976	230,464	7,843	7,822	409,345	238,406

Approved on behalf of the Board:

Director

Director

African Canadian Legal Clinic
Statement of Operations and Fund Balance
For the year ended March 31, 2011

	Legal Aid Ontario Funds		MCYS	MAG	YCF	DOJ	Operating Fund	2011 Total	2010 Total
	General Fund	Legal Disbursements Fund							
Revenues									
Legal Aid Ontario									
Direct receipts	756,681	21,802	-	-	-	-	-	778,483	765,977
Capital receipts	41,661	-	-	-	-	-	-	41,661	32,869
Indirect receipts (Note 4)	4,644	-	-	-	-	-	-	4,644	1,994
Project fund receipts	-	-	-	-	-	-	-	-	-
African Canadian Youth Justice Program (MCYS)	-	-	550,126	-	-	-	-	550,126	563,215
African Canadian Adult Justice Program (MAG)	-	-	-	85,060	-	-	-	85,060	85,060
Youth Justice Education Program (YJEP)	-	-	-	-	118,670	-	-	118,670	149,367
Department of Justice (DOJ)	-	-	-	-	-	112,626	-	112,626	-
Reunification and Adaptation Project (RAP) & Toronto Jail	-	-	-	-	-	-	17,456	17,456	-
Other income	58,428	10,000	-	-	-	-	250	68,678	72,727
	861,414	31,802	550,126	85,060	118,670	112,626	17,706	1,777,404	1,671,209
Expenses									
Salaries and benefits	489,647	-	363,171	63,416	52,295	113,263	-	1,081,792	934,815
Rent	132,608	-	24,359	9,985	1,145	-	-	168,097	165,930
Contracted legal services	114,998	-	-	-	-	-	-	114,998	-
Supplies and services	32,198	-	26,161	2,970	3,305	3,174	5,929	73,737	72,501
Professional fees	26,162	-	13,138	3,660	5,491	-	-	48,451	45,374
Travel	19,497	-	13,844	1,032	3,682	8,239	17,539	63,833	71,585
Communications	14,851	-	34,425	-	-	-	-	49,276	53,950
Library	6,955	-	-	-	-	-	-	6,955	7,827
Equipment	6,948	-	8,046	-	-	-	-	14,994	18,392
Professional dues	6,150	-	-	-	-	-	-	6,150	4,475
Indirect payments	3,982	-	-	-	-	-	-	3,982	1,994
Hiring/Training	3,949	-	52,631	-	773	8,664	-	66,017	9,518
Other project expenses	2,581	-	9,969	780	50,300	2,974	5,003	71,607	73,449
Interest and bank charges	421	-	365	-	60	28	121	995	1,382
Legal disbursements	-	69,927	-	-	-	-	-	69,927	22,484
Conference	-	-	-	-	-	-	-	-	(3,489)
Amortization	18,559	-	17,085	2,235	1,619	727	372	40,597	55,943
	879,506	69,927	563,194	84,078	118,670	137,069	28,964	1,881,408	1,536,130
Excess of revenues over expenses (expenses over revenue)	(18,092)	(38,125)	(13,068)	982	-	(24,443)	(11,258)	(104,004)	135,079
Fund balance (deficit), beginning of year	(215,539)	22,357	(34,736)	(12,920)	-	-	59,372	(181,466)	(316,545)
Interfund transfers	-	-	-	-	-	-	-	-	-
Fund balance (deficit), end of year	(233,631)	(15,768)	(47,804)	(11,938)	-	(24,443)	48,114	(285,470)	(181,466)

The accompanying notes are an integral part of these financial statements

African Canadian Legal Clinic
Statement of Cash Flows

For the year ended March 31, 2011

	2011	2010
Cash provided by (used for) the following activities		
Operating activities		
Excess (deficiency) of revenues over expenses	(104,004)	135,079
Amortization	40,597	55,943
Changes in working capital accounts:		
Accounts receivable	3,342	161,846
HST receivable	(19,781)	3,917
Prepaid expenses	4,379	(341)
Accounts payable and accrued liabilities	100,270	(299,045)
Deferred rent	(1,879)	(1,878)
Cash flow from operating activities	22,924	55,521
Financing activities		
Net change in deferred contributions	176,552	(14,387)
Cash flow from (used by) financing activities	176,552	(14,387)
Investing activities		
Purchase of capital assets	(169,933)	(61,985)
Cash flow used by investing activities	(169,933)	(61,985)
Increase (decrease) in cash	29,543	(20,851)
Cash, beginning of year	11,251	32,102
Cash, end of year	40,794	11,251

The accompanying notes are an integral part of these financial statements

1. Incorporation and description of operations

African Canadian Legal Clinic ("the Organization") was incorporated under the *Canada Corporations Act* as a Not-For-Profit organization on July 19, 1994, with no share capital and is not subject to income tax. The purpose of the Organization is to engage in test case litigation, including interventions, on behalf of or in relation to African Canadians and/or others across Ontario in cases involving issues of systemic racism and racial discrimination, which are likely to result in decisions that set significant legal precedents. The Organization also monitors and addresses significant legislative, regulatory, administrative, judicial and policy developments, and engages in select representation, advocacy, legal education and community development, for and/or in relation to African Canadians. The Organization receives its core funding from Legal Aid Ontario ("LAO") and from time to time its project funding from various other sources.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Fund accounting

These financial statements are prepared using fund accounting. Funding provided by Legal Aid Ontario and other funders are presented in separate funds based on the various agreements between the clinic and these funding organizations.

(i) Legal Aid Ontario - general fund

These funds are used to provide a range of legal and paralegal services, including information, advice and representation, to low-income individuals and families. The general fund also includes the capital fund and the outreach fund which were previously reported separately.

(ii) Legal Aid Ontario - legal disbursements fund

These funds are used to provide for certain direct expenses incurred in representing clinic clients in legal proceedings.

(iii) Ministry of Children and Youth Services (MCYS) fund

These funds are used to provide services for the African Canadian Youth Justice Program.

(iv) Ministry of Attorney General (MAG) fund

These funds are used to provide services for the African Canadian Adult Justice Program (ACYJP).

(v) Youth Justice Education Program (YJEP) fund / Youth Challenge Fund (YCF)

These funds are used to provide services for the Youth Justice Education Program as part of the Organization's Youth Advisory Committee.

(vi) Department of Justice (DOJ) fund

These funds are used to provide services under the DOJ's Youth Justice Fund using Drug Treatment and Guns, Gangs and Drugs Components for the project entitled "The ACYJP Violence and Drug Intervention Program".

(vii) Operating fund

These funds are used for the general administrative and operating activities of the Organization and includes the Outreach fund that was previously reported separately. The Operating fund also includes funds received for the Toronto Reunification and Adaptation Program (RAP) and the Toronto Jail Job Skills Program.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred revenue represents restricted revenue which has been received but not yet spent in accordance with the funding agreement. It will be recognized as revenue as the related expenses are incurred.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

	Method	Rate
Leasehold improvements	straight line	5 years
Furniture and fixtures	straight-line	5 years
Computer equipment	declining balance	33 %
Office equipment	straight-line	5 years

The Organization considers the carrying value of long-lived assets when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the Organization expects an asset to generate cash flows less than the asset's carrying value, at the lowest level of identifiable cash flows, the Organization recognizes a loss for the difference between the asset's carrying value and its fair value.

Contributed services

The Organization receives voluntary services from many of its members. Since these services are not normally purchased by the Organization and because of the difficulty of determining their fair value, these contributed services are not recognized in these financial statements.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates include providing for the amortization of capital assets. Actual results could differ from these estimates. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Recent Accounting Pronouncements

Canadian accounting standards for not-for-profit organizations

In October 2010, the Accounting Standards Board (AcSB) approved the accounting standards for private sector not-for-profit organizations (NFPOs) to be included in Part III of the CICA Handbook-Accounting ("Handbook"). Part III will comprise:

- The existing "4400 series" of standards dealing with the unique circumstances of NFPOs, currently in Part V of the Handbook; and
- The new accounting standards for private enterprises in Part II of the Handbook, to the extent that they would apply to NFPOs.

Effective for fiscal years beginning on or after January 1, 2012, private sector NFPOs will have the option to adopt either Part III of the Handbook or International Financial Reporting Standards (IFRS). Earlier adoption is permitted. The Organization has not yet determined the impact of the adoption of Part III of the Handbook on its financial statements.

African Canadian Legal Clinic
Notes to the Financial Statements
For the year ended March 31, 2011

3. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2011 Net book value</i>	<i>2010 Net book value</i>
Leasehold improvements	345,793	88,197	257,596	121,775
Furniture and fixtures	41,315	8,763	32,552	34,188
Computer equipment	132,953	115,688	17,265	21,526
Office equipment	63,951	54,919	9,032	9,620
	584,012	267,567	316,445	187,109

Summary of capital assets by fund:

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2011 Net book value</i>	<i>2010 Net book value</i>
YCF	189,522	2,347	187,175	3,642
Capital fund (LAO general fund)	252,861	187,869	64,992	106,035
MCYS	109,222	59,973	49,249	66,334
MAG	21,370	13,625	7,745	9,980
DOJ	7,266	727	6,539	-
Operating fund	3,771	3,026	745	1,118
Total	584,012	267,567	316,445	187,109

Leasehold improvements includes renovations performed on the Organization's leased premises in the Don Montgomery Community Centre with a carrying value of \$182,722. No amortization of this asset has been recorded during the current year since the Organization has not yet commenced its lease or use of this facility.

4. Indirect payments

Legal Aid Ontario administers and makes payments on behalf of the Organization for the following expenditures:

	<i>2011</i>	<i>2010</i>
Library	2,980	340
Supplies and services	809	1,464
Capital	662	-
Pension and benefits	193	190
	4,644	1,994

5. Lease commitments

The Organization has operating lease agreements for the rental of office and storage spaces. The minimum annual rental payments under these leases are as follows:

2012	165,349
2013	148,438
2014	148,438
2015	59,494
\$	<u>521,719</u>

6. Financial instruments

The Organization as part of its operations carries a number of financial instruments. The Organization's financial instruments consist of cash, accounts receivable, HST receivable, accounts payable and accrued liabilities. The fair value of these financial instruments approximate their carrying values due to their short-term maturity.

It is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

7. Economic dependence

The Organization received \$893,216 (2010 - \$813,120) of funding from Legal Aid Ontario. This funding represents approximately 50% (2010 - 49%) of revenue. In addition, the Organization receives funding from various other government and not-for-profit organizations.

The Organization has entered into various servicing agreements with these funders. The service agreements set out the terms and conditions related to the funding. The Organization is required to comply with the terms of the agreements which may include reporting requirements.